United Nations UNW/2012/15

Executive Board of the United Nations Entity for Gender Equality and the Empowerment of Women

Distr.: General
25 September 2012

Original: English

Second regular session of 2012
28-30 November 2012
Item 5 of the provisional agenda*
Evaluation and audit matters

Report on internal audit and investigation activities for the period 1 July 2010 to 31 December 2011

Summary

The present report provides information on the internal audit and investigation function of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) for the period from 1 July 2010 to 31 December 2011.

The internal audit and investigation function for UN-Women is performed by the UN-Women Audit Unit of the Office of Audit and Investigations of the United Nations Development Programme (UNDP) on the basis of the Financial Regulations and Rules of UN-Women and a service level agreement on the provision of internal audit and investigation services. During the transitional period in question, those services were provided on the basis of the 2008 service level agreement with the predecessor entity, United Nations Development Fund for Women (UNIFEM), and an interim agreement between UN-Women and the Office of Audit and Investigations signed in early 2011.

The report describes the internal audit function and its activities as well as the main audit results that provide insight into the utilization and management of UN-Women resources.

The Executive Board may wish to: (a) take note of the present report; (b) express its support for the audit and investigation function assumed by the Office of Audit and Investigations and for strengthening the capacity of the UN-Women Audit Unit; and (c) decide that the Director of Internal Audit will make publicly available all internal audit reports issued after 1 December 2012 with appropriate safeguards for particularly sensitive information.

* UNW/2012/L.4.

12-52054 (E) 081012

Please recycle

I. Introduction

1. The Office of Audit and Investigations of the United Nations Development Programme (UNDP) submits to the Executive Board of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) its report on internal audit and investigation activities during the period 1 July 2010 to 31 December 2011.

2. The report describes the internal audit and investigation function and its activities, as well as the main audit results that provide insight into the utilization and management of UN-Women resources. It is also forward-looking regarding the services to be provided and the resource requirements for such services.

II. Internal audit function in UN-Women

3. On the basis of financial rule 2302 of the Financial Regulations and Rules of UN-Women, the Under-Secretary-General/Executive Director of UN-Women entrusted the internal audit and investigation function for UN-Women to the Office of Audit and Investigations. In that regard, UN-Women and the Office of Audit and Investigations signed a service level agreement on 5 December 2011, which envisages the establishment of a dedicated UN-Women Audit Unit within the Office and stipulates the objectives and scope of the services to be provided and the funding arrangements.

4. Since the inception of UN-Women on 1 July 2010 and during the transitional period until 31 December 2011, internal audit and investigation services were provided on the basis of the 2008 service level agreement with the predecessor entity, United Nations Development Fund for Women (UNIFEM), and an interim agreement signed with UN-Women in early 2011.

5. The Office of Audit and Investigations conducts its audits in accordance with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics established by the Institute of Internal Auditors (IIA), which have been adopted by the Representatives of Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions.

6. The Office of Audit and Investigations is operationally independent of the management of UN-Women and is free to determine the scope of its audits and investigations in accordance with international standards. Moreover, the operations of the Office are governed by a charter, which sets out its purpose, policies and procedures. In that regard, the activities of the Office of Audit and Investigations are subjected to a quality assurance and improvement programme in accordance with IIA Standards. A recent external quality assurance review, conducted in August 2012, has confirmed the general conformity of the Office with the IIA Standards and the Code of Ethics.

7. On the basis of the service level agreement signed in December 2011, the Office of Audit and Investigations established, in January 2012, a dedicated UN-Women Audit Unit, which provides the internal audit services for UN-Women. The staffing of the Unit initially comprised a Chief and an Audit Specialist, both of whom commenced duties in March 2012.

8. Furthermore, in 2012, UN-Women established an Audit Advisory Committee to provide the Executive Director with independent external advice on good practices regarding the organization's accountability framework and systems, including risk management. The Committee will review and comment on the work of the UN-Women Audit Unit, including the audit strategy, annual workplan and budget, periodic progress reports and the annual report to the Executive Board.

9. In order to avoid overlap and to achieve the best use of limited audit resources, the Office of Audit and Investigations coordinates its work with the United Nations Board of Auditors. In that regard, regular consultations have taken place with the previous external auditor, the Auditor General of South Africa. Such interaction now continues with the audit team of the United Republic of Tanzania National Audit Office, which assumed the external audit function for UN-Women on 1 July 2012.

III. Risk-based audit planning

10. In accordance with IIA standard 2010, the Office of Audit and Investigations uses a risk-based audit planning system to ensure that its priorities are consistent with the goals of UN-Women. Risk-based audit planning takes place in two categories, first, for UN-Women field-based activities and secondly, for corporate and headquarters functions and activities.

11. For field offices, the Office of Audit and Investigations uses a risk assessment model, which contains a number of quantitative and qualitative factors that are representative of different types of risks. The model, which covers the UN-Women subregional offices as well as large country programme offices, has been recently revised and updated. It will be revisited and further revised as the Entity's regional architecture evolves.

12. For 2012, the audit work comprises three field-based audits (Afghanistan, Kenya and India). In addition, the Office of Audit and Investigations has conducted a corporate audit risk assessment to determine and better understand the audit universe, identify business and audit risks and determine audit priorities for the short and medium term.

IV. Audits conducted during the transitional period

13. During the transitional period, since the inception of UN-Women on 1 July 2010 until 31 December 2011, the Office of Audit and Investigations provided internal audit and investigation services as a transitional arrangement, which constituted an extension of the services previously provided to UNIFEM and focused on former UNIFEM offices.

14. The following internal audit reports were issued during the transitional period:

(a) UNIFEM Pacific Subregional Office (report No. 719), issued in September 2010: the audit rating was "unsatisfactory", which means that internal controls, governance and risk management processes were either not established or not functioning well. The audit made 23 recommendations, of which 13 were ranked as high priority. Issues raised included a lack of adequate supervision and controls at the management level, poor allocation and monitoring of project budgets,

inadequate supporting documents for payments and non-compliance with procurement procedures through the splitting of contracts to avoid review by the procurement oversight committee. As the United Nations Board of Auditors audited the Pacific Subregional Office in January/February 2012, the Office of Audit and Investigations did not conduct another audit mission, but conducted its follow-up as a desk review;

(b) UNIFEM Arab States Subregional Office (report No. 743), issued in December 2010: the audit rating was "satisfactory", which means that internal controls, governance and risk management processes were adequately established and functioning well. The audit made nine recommendations, of which one was ranked high priority. That recommendation required management to establish a mechanism to track the cumulative values of procurement to ensure that contracts in excess of the threshold are submitted to the procurement oversight committees for review;

(c) UNIFEM Subregional Office for Southern Africa and Indian Ocean Islands (report No. 753), issued in December 2010: the audit rating was "partially satisfactory", which means that internal controls, governance and risk management processes were generally established and functioning, but needed improvement. The audit made 19 recommendations, of which 9 were ranked high priority. The high-priority recommendations aimed at addressing weaknesses in the subregional strategy, staffing structure, procurement reviews, asset management, support services and document management system;

(d) UNIFEM Subregional Office for Mexico, Central America, Cuba and the Dominican Republic (report No. 774), issued in December 2010: the audit rating was "partially satisfactory". The audit made 16 recommendations, of which 8 were ranked high priority. Issues raised included weaknesses in the staffing structure, the absence of a resource-mobilization strategy, inadequate supporting documents, the splitting of contracts, the inappropriate use of contract modalities and deficiencies in the management of assets;

(e) Follow-up audit of UN-Women Southern Cone Subregional Office (report No. 823), issued in May 2011: the follow-up audit was conducted as a result of the overall "unsatisfactory" audit rating that the Office had received during the previous audit, in October 2009 (report No. 688). The on-site follow-up audit showed that the Office had made good progress in addressing the deficiencies identified in the 2009 audit. Of the 24 audit recommendations made, 14 had been fully implemented, while 7 were still in progress. Five of those seven recommendations required action at the corporate level. Three audit recommendations were withdrawn, as they were no longer relevant;

(f) UN-Women Caribbean Subregional Office (report No. 827), issued in October 2011: the audit rating was "partially satisfactory". The audit made seven recommendations, one of which was ranked high priority. The recommendation aimed at addressing weaknesses in the subregional strategy, which did not have baseline data and measurable targets;

(g) UN-Women Subregional Office for Central and Eastern Europe (report No. 863), issued in December 2011: The audit rating was "satisfactory". The audit made nine recommendations, all of which were ranked medium priority.

V. Follow-up on audit recommendations

15. The Office of Audit and Investigations monitors and reports on the implementation status of internal audit recommendations. For this purpose, the Office maintains a web-based database, known as the Comprehensive Audit and Recommendations Database System, to which all audited UN-Women business units have access.

16. The audited units are required to continuously update the status of implementation of audit recommendations in system, starting within one month after the issuance of the audit report and to upload supporting documentation showing the implementation action taken. Based on the updates provided, the Office of Audit and Investigations validates the information received and determines the implementation status.

17. The table below shows the overall implementation rate of audit recommendations as at 31 August 2012, as validated by the Office of Audit and Investigations. Since the establishment of UN-Women in July 2010, the Office has issued seven audit reports containing 107 recommendations. Five of those audits were conducted during the transitional period, while two had been conducted prior to the creation of UN-Women. The table shows that 56 per cent of the recommendations had been implemented by UN-Women, while 29 per cent were still in progress. No implementation action had been taken on 11 per cent of the recommendations, most of which related to corporate policies and procedures. There are 14 high priority recommendations included in the total recommendations still outstanding. Moreover, 25 per cent of the recommendations not yet implemented have exceeded the 18-month mark, and are therefore considered as long outstanding. UN-Women will need to intensify efforts to implement outstanding audit recommendations. The Office of Audit and Investigations is confident that the establishment of an audit focal point and the adoption of additional corporate policies and procedures will lead to significant progress in that regard.

Status of implementation of audit recommendations issued from July 2010 to December 2011, as at 31 August 2012

			Number of recommendations					
Report issued	*Audit ID*	*Audit title*	*Total issued*	*Implemented*	*In progress*	*Not implemented*	*Withdrawn*	*Long-outstanding, high-priority*
September 2010	719	Pacific Subregional Office	23	19	–	3	1	2
December 2010	743	Arab States Subregional Office	9	2	3	4	–	–
December 2010	753	Subregional Office for Southern Africa and Indian Ocean Islands	19	12	6	1	–	2
December 2010	774	Subregional Office for Mexico, Central America, Cuba and the Dominican Republic	16	6	8	2	–	6
May 2011	823	Southern Cone Subregional Office	24	14	7	–	3	4

Report issued	Audit ID	Audit title	Number of recommendations: Total issued	Implemented	In progress	Not implemented	Withdrawn	Long-outstanding, high-priority
October 2011	827	Caribbean Subregional Office	7	4	3		–	–
December 2011	863	Subregional Office for Central and Eastern Europe	9	3	4	2	–	–
July 2010 to December 2011		**Total**	**107**	**60**	**31**	**12**	**4**	**14**
July 2010 to December 2011		**Total (percentage)**	**100**	**56**	**29**	**11**	**4**	**13**

VI. Disclosure of internal audit reports

18. Pending the adoption of a UN-Women policy on the disclosure of internal audit reports, the Office of Audit and Investigations, after consultation with UN-Women, followed, as a transitional arrangement, the disclosure policy applicable to the predecessor entity, UNIFEM. On that basis, the Office disclosed three internal audit reports (on the subregional offices for the Southern Cone; the Caribbean; and Central and Eastern Europe) to the Government of the United States of America. In accordance with the disclosure policy adopted by the Executive Board of UNDP, which was also applicable to UNIFEM, the reports were disclosed on site at the Office of Audit and Investigations and under condition of confidentiality.

19. Meanwhile, the Executive Board of the United Nations Children's Fund (decision 2012/13) and the Executive Board of the United Nations Development Programme, the United Nations Population Fund and the United Nations Office for Project Services (decision 2012/18) have decided that all internal audit reports issued after 1 October 2012 or 1 December 2012, respectively, shall be made publicly available.

20. UN-Women, as a new entity, is committed to organizational transparency and suggests aligning its own disclosure policy and practices to those of the United Nations funds and programmes. This would also foster consistency and coherence within the United Nations system.

21. The Office of Audit and Investigations will exercise proper due diligence prior to making internal audit reports publicly available to ensure the integrity and quality of the information disclosed and to maintain the confidentiality of any information deemed particularly sensitive. Also, prior to public disclosure, the Government concerned, if any, will be given adequate time to comment on the report, thus allowing the Government to bring any confidentiality concerns to the attention of the Director of Internal Audit. If an internal audit report contains information that is deemed to be particularly sensitive (relating, inter alia, to third parties or to a country, Government or administration) or that could compromise pending action or endanger the safety and security of any individual, violate his or her rights or invade his or her privacy, the report may be redacted, or, exceptionally, withheld in its entirety, at the discretion of the Director of Internal Audit.

22. If the Executive Board approves the proposed public disclosure, the Office of Audit and Investigations will post all internal audit reports issued after 1 December 2012 on the UN-Women website. There will be no retroactive disclosure.

VII. Advisory services

23. the Office of Audit and Investigations provided, upon request, advice to UN-Women managers at Headquarters and subregional offices on a range of topics, including the interpretation of regulations and rules, and a review of policies and documents such as the Internal Control Framework, terms of references and grant agreements.

VIII. Investigations

24. In accordance with the service level agreement, the Office of Audit and Investigations provides investigation services, on a cost-reimbursement basis, covering allegations of fraud, corruption or other wrongdoing, including workplace harassment, abuse of authority or retaliation against whistle-blowers, by UN-Women staff members, non-staff personnel and contractors. As such, the Office is the principal channel to receive allegations. To facilitate the reporting of wrongdoing, the Office has established a dedicated UN-Women fraud hotline, which will be accessible through the UN-Women website. The Office has designated one of its investigation specialists as the focal person for all matters relating to UN-Women investigations.

25. Investigations carried out by the Office of Audit and Investigations conform to the principles contained in the Uniform Guidelines for Investigations, adopted by the fourth Conference of International Investigators. The Office conducts fact-finding investigations in accordance with the UNDP Legal Framework for Addressing Non-Compliance with United Nations Standards of Conduct and as further elaborated in the Investigations Guidelines of the Office.

26. To date, the Office of Audit and Investigations has received two complaints alleging wrongdoing by UN-Women staff members. The allegations of one case were not substantiated and the case was closed after initial assessment. Investigations are continuing on the second case, which was received in July 2012. The Office expects that, with the activation of the fraud hotline, the number of complaints will increase.

IX. Staffing and budget

27. Total expenditures for UN-Women internal audit activities in 2011 were approximately $200,000. For 2012, UN-Women and the Office of Audit and Investigations envisage an increased level of services, resulting in an approved budget of $438,186. The 2012 budget comprises salary costs of $351,468 and general operating expenditures, in particular travel cost, of $86,718.

28. During the transitional period, the Office of Audit and Investigations provided the services of one Audit Specialist in 2011. The staff member retired in October 2011 and the post remained vacant until the end of the year. The December 2011

service level agreement provides for two staff members — a Chief at the P-5 level and an Audit Specialist at the P-3 level. This is equivalent to 400 working days per year for audit activities, audit management and advisory activities. The 2012 audit workplan has been prepared within the framework of these available resources.

29. The current resource level provides for the minimum capacity necessary for UN-Women internal audits. The recently conducted audit risk assessments, the increase in UN-Women resources and activities and the broad field presence resulting from the envisaged future regional architecture have given rise to a need to revisit and reassess the resource requirements for audit. In that regard, the Office of Audit and Investigations has been guided by the suggested benchmarks for the resourcing of internal audit functions, established by the Joint Inspection Unit of the United Nations system in its report entitled "Oversight lacunae in the United Nations system" (A/60/860) and reconfirmed in its report entitled "The audit function in the United Nations system" (A/66/73). The Joint Inspection Unit proposes one auditor position for an annual expenditure volume of $60 million to $100 million, taking into account whether it is a headquarters- or field-based organization. UN-Women expenditures in 2011 totalled close to $200 million. Even without the expected further budget increase for UN-Women, the current resource level for audit provides for a minimum capacity. Such capacity might be sufficient for a headquarters-based organization. With the broad and further expanding presence of UN-Women in the field, however, the current resource level is inadequate and falls below minimum standards. The Office of Audit and Investigations will discuss future resource requirements with UN-Women senior management in order to bring the capacity of the UN-Women internal audit function in line with the recommended benchmarks for the United Nations system and to enable the internal audit function to provide reasonable assurance on the use of UN-Women resources.